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National Intelligence Bulletin

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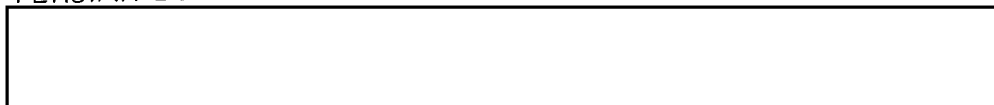
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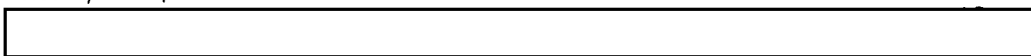
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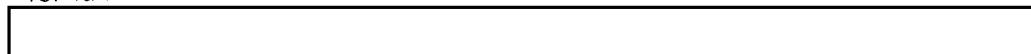
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PORTUGAL

The power struggle in Portugal between Communist and moderate forces appears to be nearing a showdown.

Despite Communist threats to try to prevent the demonstration in Oporto, the Socialists opened all roads into the city last evening, and a crowd of more than 70,000 put on an impressive show of strength. Small groups of Communists dispersed quickly and there were reportedly only brief clashes.

A potentially more serious test of strength will likely occur in Lisbon today where the Communists have set up a number of roadblocks in an effort to prevent another Socialist demonstration. Following a quickly summoned meeting of members of the Revolutionary Council yesterday afternoon, President Costa Gomes called in Socialist and Communist leaders for consultations and the military was put on full alert.

In defiance of the Council, Communist leader Cunhal last night called on his followers to use any means possible to stop the Socialist demonstration.

The spokesman for the Council subsequently also announced that it had been decided that the roadblocks around Lisbon would be manned only by the armed forces—not to prevent people from entering Lisbon, but “to check only for possible reactionary elements.” In view of the highly uncertain discipline within the military at this point, it is uncertain what this may mean in practice.

The Communists are increasingly apprehensive over whether they can retain the influence they have enjoyed thus far through the radical officers who have dominated the Armed Forces Movement. The prospect of losing their main peg to power—Prime Minister Goncalves—appears to have stiffened their determination to meet the moderate challenge.

The US defense attache in Lisbon has learned that President Costa Gomes has decided he must support the moderates in their attempt to oust Prime Minister Goncalves in the Revolutionary Council meeting today or risk a further erosion of his own power base.

There is a greater sense of urgency reflected in this later report than was conveyed to Ambassador Carlucci Thursday by Costa Gomes' chief of cabinet. At that time, Costa Gomes was said to be building support, while giving assurances that he would act when the “proper opportunity” presented itself. Moderates on the Council may finally have convinced him that the opportunity may be lost if he fails to act now.

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The Soviet ambassador to Portugal reportedly visited Costa Gomes yesterday afternoon in an apparent attempt to convince him to go along with pro-Communist sympathizers on the Revolutionary Council. Costa Gomes, who has vacillated in the past, would not be tempted by Soviet blandishments, but might be susceptible to the argument that he would be taking an unacceptable and unnecessary political risk to openly side with the moderates.

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USSR-PORTUGAL

Moscow has placed itself more fully and openly on the side of the Portuguese Communists and Armed Forces Movement.

Over the past few days signed commentaries have appeared in *Izvestiya* and *Pravda* pillorying the Portuguese Socialists and expressing support for the Armed Forces Movement. An *Izvestiya* commentary, going further than Moscow has heretofore, asserts that the "new Portugal" can count on active economic and political support from the "socialist" countries. The Portuguese Socialists are, in essence, charged with being class enemies.

Moscow's more forthright backing of the Armed Forces Movement and the Portuguese Communists suggests the Soviets expect the rapidly changing political situation will soon come to a head. The Soviets clearly want to be publicly aligned with the "progressive" forces, but they also may have been under pressure from the Portuguese Communists to take a stronger stand.

If, as Moscow apparently believes, the Armed Forces Movement comes out on top, the Soviets will be in a better position in Lisbon. Even if things go badly for the Portuguese Communists, on the other hand, the Soviet gesture of support at a critical juncture could help protect Moscow from criticism within the communist movement.

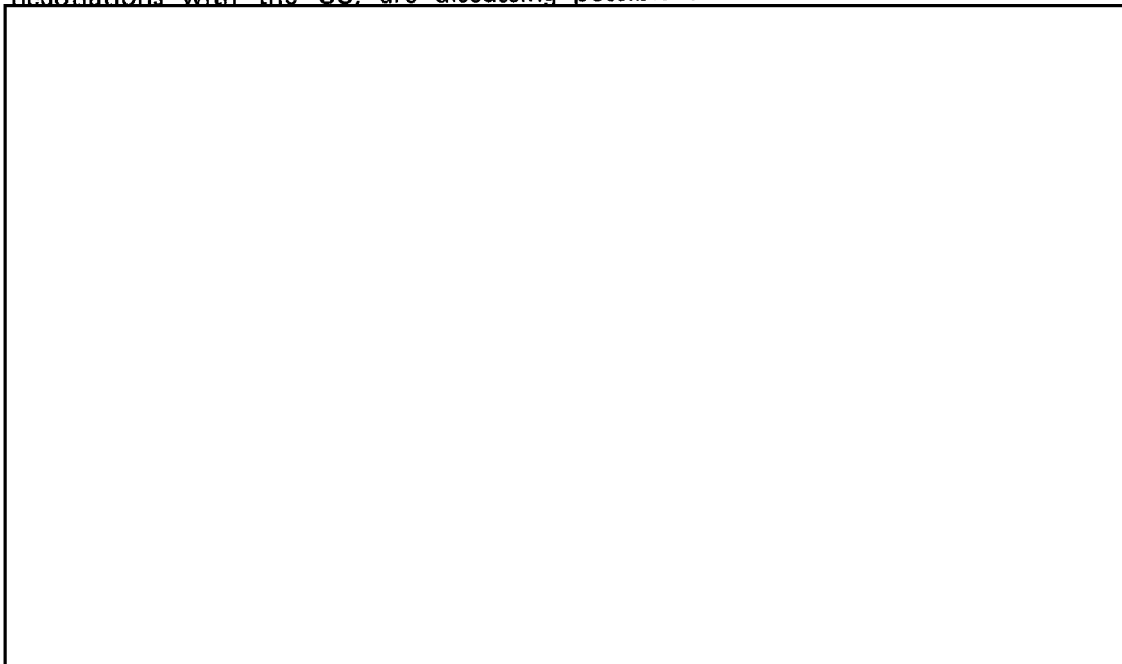
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PANAMA

Senior Panamanian officials, pessimistic about the outlook for the treaty negotiations with the US, are discussing possible alternative courses of action.



Torrijos is consulting various sectors of the society to learn about their attitudes, as well as to inform them of his negotiating efforts. His appraisal of their reactions will almost certainly influence his choice of a future course of action. Thus far he has pursued a mixture of moderation and pressure on the US, and he may well decide to combine elements of all three of the options described. He appears to want to continue to negotiate, but has declared he no longer feels bound to preserve the confidentiality of the talks, thus clouding the atmosphere. He may no longer believe that a treaty can be negotiated and ratified before 1977, but he almost certainly feels that he must have some concrete achievement in order to keep the people's confidence until that time. He is increasingly likely to believe that his patience has not been productive and to give considerable thought to the possible benefits—and hazards—of using violence.

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ARGENTINA

Steadily growing pressures on Argentine President Peron are increasing the chances of her early departure from office.

Labor is pressing hard—apparently with the backing of politicians and the military—for the replacement of Economy Minister Rodrigo and three other cabinet officers linked to the ousted Lopez Rega. Exile is being demanded for Mrs. Peron's discredited confidant. Mrs. Peron's reported refusal to dismiss Rodrigo can only hasten a showdown.

Labor leaders have been calling vehemently for his ouster because of his role in the attempt last month to roll back wage hikes. Moreover, as a protege of Lopez Rega, Rodrigo represents an unpopular vestige of Lopez Rega's influence in the government. Rodrigo has already been rendered ineffective. His departure would leave the administration with no one in charge of economic policy at a critical time.

There are no signs that President Peron is attempting to deal with the country's mounting problems. Her main preoccupation appears to be how to survive the stress she is under, and she may soon request a leave of absence from her duties. She may view the prospect of an extended leave—from which the military might well not permit her to return—as a relatively painless way out of her seemingly insoluble dilemma.

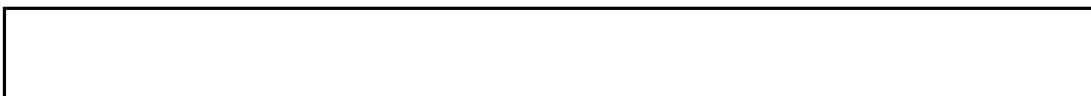
The prospect for an orderly transition in the event Mrs. Peron should leave office soon, has improved considerably with the recent election of a moderate Peronist—Italo Luder—as president of the senate. Constitutionally next in the line of succession, Luder is generally well regarded and is not known to have any links to Lopez Rega. [REDACTED]

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INDIA



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Prime Minister Gandhi's recent repressive actions, though technically lawful, have substantially changed India's political system.

She has dramatically tightened her control and is likely to remain in power for at least the next year.

--Within the Ruling Congress Party, opposition to Gandhi is unlikely to grow serious enough to jeopardize her position.

--Anti-Congress opposition groups will probably remain unable to mount a major challenge for some time.

--The security forces are likely to remain loyal to the Prime Minister's constitutional authority and to be able to contain protest activities.

The Indian Supreme Court's decision on Gandhi's alleged campaign violations is not likely to lead to her removal as Prime Minister.

--Even if the decision were adverse, she probably would take steps that would enable her legally to remain in office.

--In the unlikely event she did leave office, her likely successor would be Agriculture Minister Ram or Foreign Minister Chavan, either of whom would probably be less leftist-oriented than Gandhi and perhaps somewhat friendlier to the US and China.

The timing of the next national election will depend on Gandhi's reading of the mood of the country.

--Under the state of emergency, the normal constitutional deadline for the next election—March 1976—could be waived.

--Whenever the election is held, the Congress Party appears likely to win a majority.

India's longer term future is less clear.



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--Monsoon failures and the inability of the government to get the economy moving could lead to serious unrest and instability.

--This could lead to even more sweeping controls and repressive measures.

--Gandhi might succeed in cowing all opposition by such action, but the chances of either the Congress Party replacing her or of the military stepping in to assume power would increase as would the possibility of general instability.

[REDACTED]

[REDACTED]

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[REDACTED]

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ETHIOPIA

The ruling military council has arrested several high-ranking police officers and some air force officers for allegedly participating in anti-government activity.

Six police officers, including the vice commissioner, and six police noncommissioned officers were arrested Tuesday. Five other police officers were arrested yesterday. A large number of air force personnel, including many officers, were arrested yesterday and brought to Addis Ababa from the main air base south of the capital.

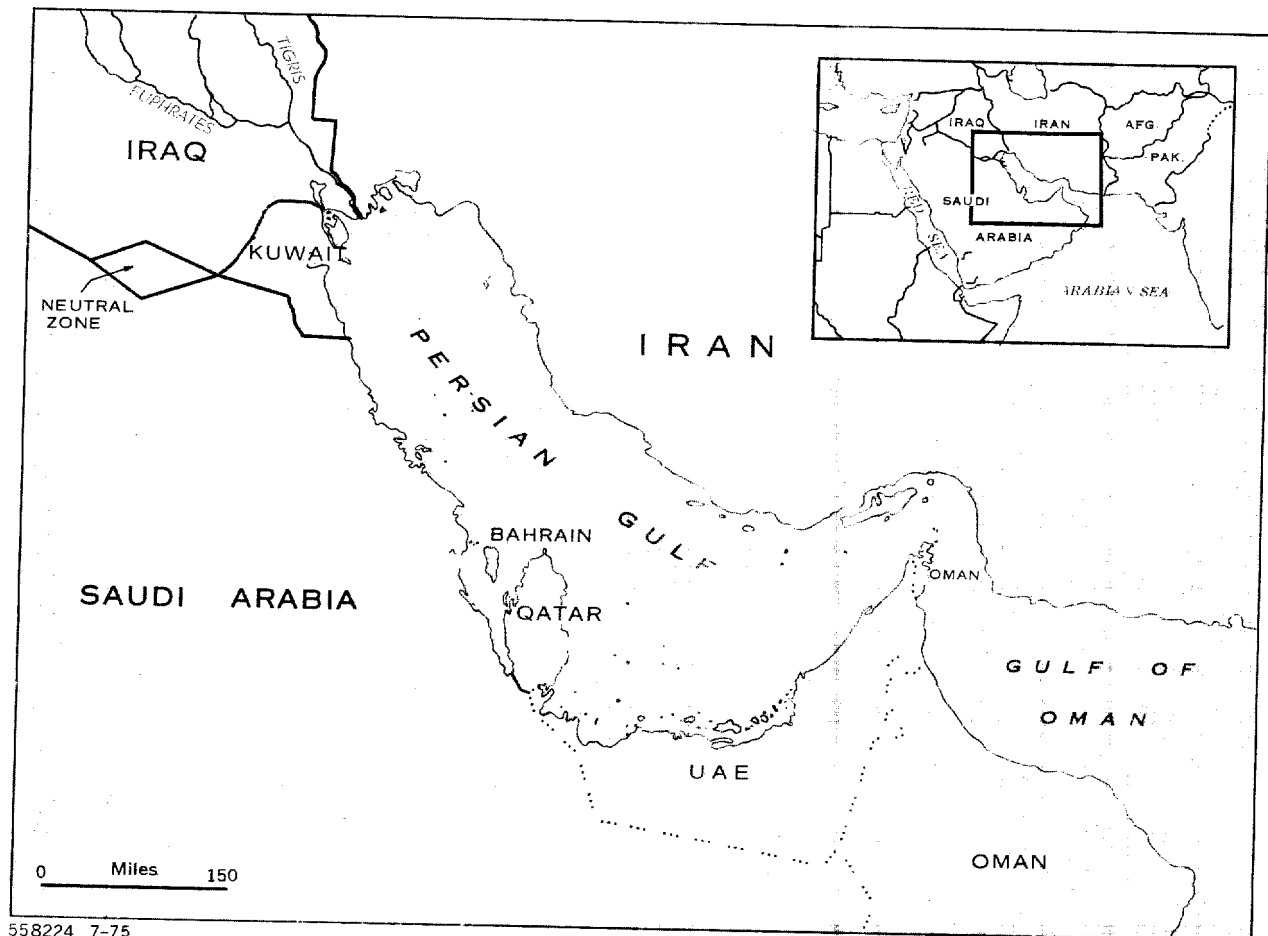
Those arrested are accused of complicity in the temporary detention last weekend of General Berhane Tefera, the national police commissioner, by dissident security forces in eastern Ethiopia. It is not clear whether army or police units—or both—were responsible. The dissidents reportedly also tried to seize General Teferi Benti, the council's chairman. Berhane and Teferi were visiting the Third Division, which is headquartered 225 miles northeast of Addis Ababa, to attempt to calm the troops' increasing opposition to the council, especially its land-reform program.

The dissidents detained Berhane for four hours to dramatize their demands for restoring land grants to retiring military personnel, an immediate return to civilian rule, and a negotiated settlement to the conflict in Eritrea. The arrested police officers allegedly plotted against Berhane and gave information to the eastern dissidents that caused them to detain Berhane. The council reportedly discovered leaflets linking the arrested air force personnel to the incident.

The arrests have increased tensions within the police and the military. The Ethiopian police are a large and well-organized force. A confrontation between them and forces loyal to the council could lead to serious fighting. There is no evidence so far, however, that police or armed forces dissidents are attempting to organize an overt move against the council. [REDACTED]

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PERSIAN GULF

The foreign ministers of Iran, Iraq, and Saudi Arabia apparently failed to agree on new steps to strengthen regional security cooperation when they met with Gulf foreign ministers this week in Jidda during the Islamic Conference. According to Iran's ambassador to Saudi Arabia, no decisions were taken because the majority of states were uninterested in moving quickly on the subject.

Earlier this year, the Shah of Iran was encouraged by political developments in the Gulf to believe that the time was ripe to resume his search—begun in 1968—for a formula under which Iran could play a greater peacekeeping role on the Gulf's western shore. He had hoped the discussions in Jidda would lead to an early conference on regional security and eventually to a comprehensive pact protecting existing regimes against both foreign interference and local threats to the status quo.

The main obstacle in Jidda was apparently Saudi Arabia, with the smaller Gulf states probably following its lead. The mistrustful Saudis do not believe a regional security arrangement is warranted and prefer to rely on bilateral ties. They certainly do not share the Shah's perception of a power vacuum on the western side of the Gulf that Iran should help fill.

Iraq supported the idea of a formal declaration restricted to assuring freedom of navigation in the Gulf, according to the Iranian ambassador, but it did not favor the more comprehensive Iranian approach.

The Iranians can be expected to portray the Jidda meeting in the best light, claiming as progress the fact that for the first time all Gulf states met to discuss common problems. Nevertheless, the apparent failure to agree either on holding a conference, or on issuing a common statement on the desirability of limiting foreign interference in the Gulf, is a disappointment for the Shah.

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SPANISH SAHARA

Algeria's reiteration of support of self-determination for the people of Spanish Sahara before the International Court of Justice this week may again strain relations with Morocco.

The Algerian representative concluded a three-day presentation on July 16 by calling upon the court, which is to give an advisory opinion this fall on legal aspects of the Saharan dispute, to acknowledge "the inalienable right of the people of Spanish Sahara to self-determination."

The Algerians characterized this right as a higher principle than existing territorial claims, an obvious reference to the arguments advanced earlier by Mauritania and Morocco. The Algerian presentation specifically mentioned the need for a referendum organized and held under UN auspices.

It also affirmed that intervention was lawful in support of national liberation struggles, presumably in defense of Algiers' support of a pro-independence Saharan party, the Polisario Front.

So far the Moroccan government has reacted with restraint. A joint Algerian-Moroccan statement issued two weeks ago following a visit to Rabat by Algeria's foreign minister professed a common understanding on the future of Spanish Sahara. The Moroccan opposition press has predictably condemned Algeria's presentation and questioned the value of the recent Moroccan-Algerian understanding.

In a recent conversation with US officials, King Hassan appeared confident he and the Algerians were in agreement that:

- Algiers will not intervene militarily if Morocco occupies the Sahara.
- There will be no repetition of the Moroccan-Algerian border war of 1963.
- Algiers has no territorial claims on the Sahara.

In return, King Hassan presumably has promised ratification of a border agreement signed in 1972 as the reward for Algerian acquiescence.

King Hassan's confidence may be misplaced. The Algerians may only have been buying time for maneuver. A reference to the right of intervention in Algeria's presentation to the court keeps open Algiers' option to build up the insurgent capabilities of the Polisario Front. [REDACTED]

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ANGOLA

The Popular Movement for the Liberation of Angola now has nearly complete control of Luanda, with only one area where elements of the Front for the Liberation of Angola are holding out.

Rumors abound in Luanda that a large group of reinforcements for the Front are on the way from Zaire and the north, but they will have to pass through Popular Movement lines to reach Luanda. Meanwhile, the capital is limping back to order as power is being restored and food is arriving. The third nationalist group—the National Union for the Total Independence of Angola—which has largely remained out of the fighting may soon have to choose between joining the Popular Movement or leaving.

Despite the end of the fighting in Luanda, the Popular Movement will continue to try to push the Front from other areas. Militant members of the organization want an all-out military struggle. Virtually all of its 18,000-man force is in Angola, with the heaviest troop concentrations in the Luanda area and in the interior north and east of the capital. The Popular Movement has numerous armed civilian sympathizers in Luanda. All are well armed with modern infantry weapons of Soviet and East European origin and assured resupply from the Congo. Military elements are equipped with heavy weapons such as 122-mm. rockets and a small number of light armored vehicles.

The armed strength of the Front for the Liberation of Angola stands at 18,000 men, with another 10,000 in training. Many of the latter are in Zaire and are receiving material and financial support from Peking. The Front has its heaviest troop concentrations in the extreme northern part of Angola and is in the process of moving its main base from Zaire into northwestern Angola. It is well equipped with modern small arms and some support weapons of Chinese and Western origin, but recent reverses in Luanda have nearly depleted ammunition stocks. The supply situation is precarious since both Peking and Kinshasa have apparently not been able to replenish recent losses.

The National Union, with 6,000 troops, is concentrating in Central Angola but maintains scattered garrisons only in the southern portion. It has no regular sources of supply and is short of weapons.

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WEST GERMANY

Bonn will almost certainly introduce measures around the beginning of September to stimulate the economy. The magnitude of the program will be the subject of considerable debate between the Social Democrats and the more conservative Free Democrats in the coalition cabinet, but the estimates range between \$1 to \$2 billion.

Chancellor Schmidt is calling for the new measures primarily to offset some of the sharp drop in foreign demand. Export volume fell at an annual rate of 24 percent in the first half of 1975, seasonally adjusted, a key factor in a drop of at least 6 percent in real GNP during that period.

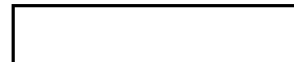


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Even a \$2-billion program will do little to get the \$440-billion economy moving. But with most of the funds ticketed for the severely depressed and labor-intensive construction industry, it could keep up to 75,000 off the unemployment rolls this winter. One economics institute recently predicted that unemployment would reach 1.5 million—6.7 percent of the labor force—by January. Unemployment in June was 1 million, the highest for that month in 20 years.



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ROMANIA

Premier Ceausescu may attempt to deflect criticism from himself at a Central Committee plenum on Monday by seeking scapegoats for deficiencies in the country's flood-control measures. The plenum, which was scheduled before the floods, is now slated to discuss both fulfillment of the economic plan and flood damage.

The Romanian leader is on the spot because the regime's emphasis on rapid industrialization has prevented the full implementation of the flood-control program that the regime adopted in 1970. Possible scapegoats include Virgil Trofin, a known Ceausescu critic who has been exiled as first secretary to Brasov, and Angelo Miculescu, the minister of agriculture, food, and waters. Some local party officials in those areas hardest hit by the floods may also be ousted.

Ceausescu's long-held determination to fulfill the country's current five-year plan ahead of schedule is undiminished. The population has been mobilized to salvage the harvest, and increased pressure is being put on many already hard-pressed workers to make up for flood-related production losses by the end of the year.

Public morale, already low because of the regime's insensitivity to consumer interest, has undoubtedly deteriorated since Bucharest announced price increases last weekend. Romanians must now pay 103 percent more for heating oil and 25 percent more for natural gas. The regime, however, attempted to offset some of the burden by announcing token across-the-board wage increases.

The US embassy speculates that some form of popular discontent, such as work slowdowns and stoppages, is likely. Although Ceausescu's position does not appear threatened, he is nonetheless increasingly vulnerable to popular criticism. He is quite capable of meeting any challenge, however, by carefully measured concessions and by increasing his efforts to seek foreign assistance. [REDACTED]

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NORTH KOREA

Pyongyang has consented to reopen talks with Seoul as part of a broader campaign to project an image of flexibility and reason. Earlier this week, the North agreed to resume Red Cross negotiations on July 21. The talks, until they were postponed by Pyongyang a month ago, had been addressing such problems as the reunion of separated families.

North Korea is also sounding a softer note on its preconditions for resuming the North-South Coordinating Committee talks. The committee, established in July 1972 to explore possibilities for political accommodation, last met in May.

During his visit to East Europe and North Africa in May and June, President Kim Il-song began to reemphasize that North Korea seeks reunification of the peninsula by peaceful means and has continued this line with recent visitors to Pyongyang. This week a delegation of Japanese Socialists returned home with word that North Korea will put out a new peace proposal on July 20. The North is particularly anxious to enhance its prospects for membership in the conference of nonaligned nations in August and for passage of a resolution favorable to its interests at the UN General Assembly this fall.

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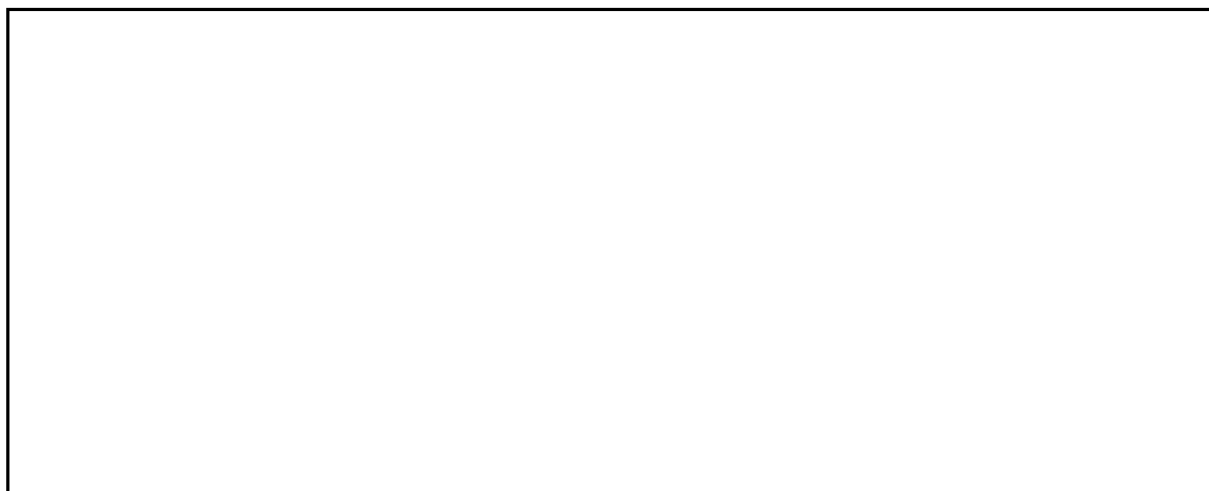
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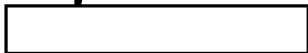
SYRIA-USSR: Syria is to receive today its first delivery of helicopters from the USSR in more than a year, a shipment of eight MI-8s ordered last November under a \$9-million contract. Each of these aircraft can carry 24 fully equipped soldiers, augmenting Syrian helicopter troop-carrying capacity by almost 20 percent. Syria's helicopter inventory now includes 44 MI-8s and five MI-4s; the MI-4s carry 16 fully equipped troops. In addition, Syria has nine KA-25s, which have an antisubmarine warfare capability. So far, Syria has expressed interest in buying Chinooks from the US or Super Frelons from France.

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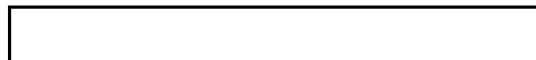
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